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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
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Calling Party Pays Service Option)
in the Commercial Mobile Radio Services)
_____)

WT Docket No. 97-207

To: The Commission

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COMMENTS

Source One Wireless II, L.L.C. ("Source One"), by its attorneys and pursuant to Notice of Inquiry, in Wireless Telecommunications Docket No. 97-207, hereby submits its Comments in the Notice of Inquiry ("NOI"). The Federal Communications Commission ("FCC" or "the Commission") invited comments on the NOI to be filed by December 1, 1997.

I.

INTRODUCTION

Source One is one of the thirteen largest (by subscriber count) providers of paging service in the United States. Source One has focused its growth over the past three years on a nine state Midwest region, centered around the Chicago metropolitan area. Key to its growth strategy is "Calling Party Pays" ("CPP") paging which Source One has tested in the Chicago and Detroit markets over the past two years. Under CPP, the owner of the pager is responsible for purchasing the pager itself, but is not required to pay a monthly service or "air-time" bill; rather, those who call the pager owner are responsible for paying for their own calls. In 1995, Source One introduced the nation's first calling party paging. In 1997, it created nationwide coverage by means of the network of a

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major paging carrier throughout the United States. Source One offers both traditional paging as well as calling party pays service.

Source One supports the Commission's efforts in the NOI to encourage and facilitate competition in the local exchange telephone market and to increase consumer options in the market. Source One addresses the paging aspects of CPP only.

II.

DISCUSSION

A. *Current Availability of CPP*

In response to the Commission's request for information on carriers who offer the CPP service option: as stated above, Source One provides CPP as part of the nationwide paging coverage which it created in 1997. Through its national reseller agreement with another paging carrier, Source One can provide its customers with access to the nationwide paging system on a single common frequency, which reaches more than 90% of the U.S. population. Through this arrangement, Source One purchases one-way numeric display and alphanumeric paging services on a non-exclusive basis for the purpose of marketing and reselling these services to its subscribers. Source One provides its subscribers with a direct inward dial number, and it relies on its own paging terminals to route the page. This provides the necessary flexibility to allow Source One to provide the subscriber with Source One's own value-added services. Source One plans to offer CPP in every major market through this nationwide transmission system.

In connection with the details of its arrangements with LECs: in the past, Source One provided CPP with billing support by its midwestern LEC. Currently, Source One is using a national local exchange carrier ("LEC") clearinghouse which coordinates billing of paging calls placed by a paging party with that party's LEC. This arrangement provides Source One with a complete billing solution rather than having to manage billing contracts and processes with multiple providers. Source One is thus able to maintain tight control over the management and reconciliation of the receivables related

to CPP and to manage the integrity of data passed on for billing as well as to effectively manage the billing and collections process.

Source One, in its efforts to install a nationwide platform, had difficulties with at least two LECs who were opposed to Source One's CPP on two theories. The first was the Telephone Disclosure and Dispute Resolution Act ("TDDRA"), which was enacted by Congress in 1992 to prohibit hidden consumer charges in connection with the use of toll free numbers. Because of Congressional and Commission concern with these hidden charges, several LECs had voluntarily agreed to discontinue billing such services. In 1996, Congress passed the Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (1996) (Codified at 47 U.S.C. §228), which modified the policies and rules governing such services, imposing more stringent restrictions on the use of 800 and other toll free numbers to charge consumers for information services. It also reclassified the term "pay per call service" by removing the exemption for service offered pursuant to a tariff. The Commission released, in July of 1996, an Order and Notice of Proposed Rulemaking, 11 FCC Rcd. 14738 (1996) relating to these various changes involving the use of 800/888 numbers to reach information services, under certain conditions, which Source One had met. However, one LEC wrote to Source One in June, 1997, stating that "We would not be willing to bill this service, as it does not appear to comply with the TDDRA."

The second objection was a more general one relating to Source One's request for billing support for CPP. One LEC stated that it was considering not providing any billing support for *any* service in the future. Further, it stated that Source One was required to file a tariff with its state PUC for this offering.

With respect to consumer reaction to the CPP service option, Source One incurs churn of under 1.5% on its CPP subscribers. This is in contrast to reports by industry sources, which indicate that paging companies generally incur churn of over 2.5% per

month. Further, industry sources indicate that the demand for such product will grow. See Exhibit 1.

With respect to the Commission's questions regarding the lack of CPP offerings, Source One submits that it started this option because it believes there exists a large untapped segment of the potential paging subscriber population -- students and people without checking accounts or credit cards -- that cannot readily pay monthly bills, not because they cannot afford the bills, but because they cannot utilize checking accounts or credit cards to pay the paging carrier. CPP solves this problem: the costs of the page appears on the calling party's phone bill. Furthermore, Source One believes that for retailers, CPP is an attractive product because it allows the retailer to sell the hardware at a profit, and it reduces churn and customer service costs. Industry sources indicate that the demand for such product will grow. For example, according to a Bellcore industry study, 45% of the expected incremental growth in the consumer share of the paging market through the year 2000 will result from demand for CPP-type paging services. See Exhibit 1.

A large regulatory obstacle to CPP paging was recently effectuated by the FCC in connection with the Second Report and Order in the Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, released October 9, 1997. This Second Report and Order mandated a \$0.284 cent compensation default rate for pay phone service providers ("PSP") for subscriber 800 and access code calls for each payphone call. In order for the CPP provider to receive its full revenue from such calls, the payphone user must be able to pay for the call by depositing the payphone charge in the coin box at the time of the call. Otherwise, for a CPP provider who charges \$0.35 for a CPP page, 81% of the charge for the pay phone call will be paid to the PSP.

In connection with the Commission question regarding whether reciprocal compensation may obviate or reduce the need for CMRS providers to implement CPP,

Source One submits that while this may be applicable to two way operations, it is not true for paging because Source One believes that an untapped market exists for CPP paging. This market is not the traditional wireless user but a user who cannot or prefers not to pay a monthly fee for paging service. In fact, for that market, Source One also plans to package the CPP paging service with "voice-to-text" technology and to promote this package as an economical alternative to standard messaging services.

B. Demand Stimulating Effects

As to increasing the demand for CMRS services, there are currently approximately 42,000,000 paging subscribers, with a potential growth rate of 20% per year, with estimates of a 30% per year growth rate for paging party pays service. See Exhibit 1. A prime reason for this projection is the age breakdown in Source One's paging market plan. See Exhibit 2. These groups may not have sufficient finances or credit to enter into long-term contracts and there are no large out-of-pocket start up fees or risk of service interruption.

C. Pricing Issues

Source One's pricing for its CPP offers no monthly fee paging and the paging party is charged a small per paging fee on its phone bill. Currently, CPP platforms are controlled by regional telephone companies, allowing sales only in areas in which those companies provide service. However, Source One offers CPP on a nationwide basis through a single, toll free access number, allowing Source One to sell the product through retailers at a national level without having to limit availability to certain geographical areas. A single access number also allows Source One to control costs by dealing with a single service provider rather than the multiple routing and pricing structures of local or regional telephone companies.

By developing its own CPP platform, Source One has full control of several aspects of the program, including the implementation schedule, the product pricing structure, the addition of supplemental services such as voice mail and alphanumeric paging and the customer inquiry process.

Source One charges a one-time subscription fee for CPP and currently, \$0.35 cents per call to connect to a numeric pager and \$0.40 cents per call to connect to an alpha pager.

D. Consumer Protection Issues

For its CPP paging, Source One employs a prerecorded statement informing the caller of the charges prior to completing the call to the pager. This statement tells the caller what the charge will be and that it will appear on the caller's telephone bill, if the caller proceeds.

Notice to the consumer should provide adequate protection to the calling public. Source One welcomes the Commission's encouragement in the development of a uniform method to inform the calling party of the charge and the calling party's responsibility for payment of the call. This hopefully will overcome certain consumer concerns at the state level as well as the concern of some LECs over TDDRA issues.

E. Technical Issues

Source One submits that the FCC should encourage industry standards setting groups to develop uniform signaling and data procedures. Source One is hopeful that such uniform procedures would include the use of SS7 signaling protocol. Nationwide standards would not only simplify and reduce the cost of CPP but would allow ubiquitous use of CPP through the nation.

F. Legal Issues

As indicated above, Source One had been met with some reluctance from the LECs in connection with the billing of CPP and their concerns with the legality of CPP. However, the LECs in most cases have both sole possession of the information relating to

the callers in CPP and are the final arbitrators on the permissibility of CPP in their calling areas. Accordingly, the LECs refusal to cooperate with the CMRS provider is a major obstacle to provision of CPP service. In such cases, Source One submits that where the LECs essentially deny CMRS providers the ability to provide CPP, the Commission should assert jurisdiction.

In the First Report and Order, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, 11 FCC Rcd 15499, 16006 (1996), the Commission declined to define the extent of its sections 332/201 jurisdiction over CMRS-LEC interconnection and stated that Section 332 generally precludes states from rate and entry regulation of CMRS providers. The Commission further stated that if "...the regulatory scheme established by sections 251 and 252 does not sufficiently address the problems encountered by CMRS providers in obtaining interconnection on terms and conditions that are just reasonable and nondiscriminatory, the Commission may revisit its determination not to invoke jurisdiction under section 332 to regulate LEC-CMRS interconnection rates."

Citing the twin considerations of the Congressional preclusion of state regulation of entry and rates charged by CMRS and the authority of the FCC to order LECs to interconnect with CMRS, the Eighth Circuit Court in Iowa Utilities Board, 1997 WL 403401 (8th Circ., July 18, 1997), at n.21, stated "we believe that the Commission has the authority to issue the rules of special concern to the CMRS providers."

Source One submits that since the states are preempted from maintaining entry and rate regulation over wireless service^{1/} and since the Commission has jurisdiction over

^{1/} See for example, Report and Order and Order on Reconsideration, Petition of Arizona Corporation Commission to Extend State Authority Over Rate and Entry Regulation of All Commercial Mobile Radio Services, PR Docket No. 94-104, 10 FCC Rcd. 7824 at 7834 (1995).

LEC/CMRS interconnection issues^{2/}, as affirmed in Iowa Utilities Board, *supra*, that the Commission should exercise jurisdiction and develop rules governing the relationship between CMRS providers of CPP services and the local exchange carriers.

CONCLUSION

Source One supports the Commission's Inquiry on CPP and encourages the Commission to address the issues raised herein in appropriate proceedings to insure that the CPP option is available in the marketplace.

Respectfully submitted,

SOURCE ONE WIRELESS II, L.L.C

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2/ See U.S. West New Vector Opposition, In the Matter of Omnibus Budget Reconciliation Act of 1993, Implementation of Sections 3(n) and 332(c) of the Communications Act, Regulatory Treatment of Mobile Services, PR Docket No. 94-104, filed September 19, 1994 at 16, "Appropriate dialing arrangements for calling party pays services...was an issue dealt with almost a decade ago as an interconnection issue between cellular carriers and wireline telephone companies..."

EXHIBIT 1

SourceOne®
**PAGING
GROWTH**

CURRENT SUBSCRIBERS • 42,000,000

• NUMERIC: 35M • ALPHA: 5M

source: Strategis

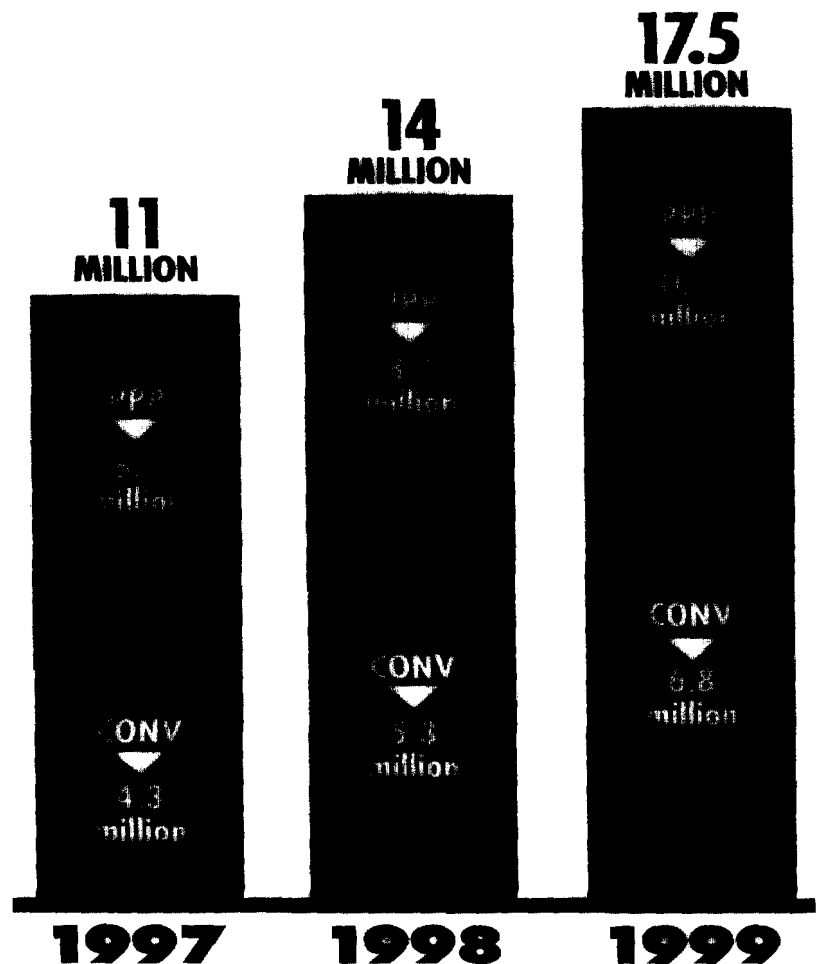
GROWTH RATE • '97 - '98 - '99...20%/YEAR
(1996 - 27.9% GROWTH)

source: Motorola

OP FACTOR • INCREASE BY 30%

source: Bellcore

**NUMERIC
PAGING
MARKET
POTENTIAL**





PAGING MARKET

GENDER



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